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SUBJECT: MANAGUA 2008 BFIF PROJECT PROPOSALS

REF: 07 STATE 159597

11. (U) In response to Ref. A, Embassy Managua submits the following two proposals for consideration for 2008 Business Facilitation Incentive Funds (BFIF).

12. (U) Energy Solutions - Biofuels:

A) Nicaragua is heavily dependent on imported oil to generate electricity. Rising oil prices and poor regulation have resulted in serious cash flow problems throughout the power sector. Lack of investment in plant and equipment within the context of a growing economy has led to power outages, affecting consumers and industry alike. However, Nicaragua's soil and climate are ideally suited for the cultivation of potential sources of biofuels such as sugar cane, African palm, and switch grass. Solving the energy crisis is a top priority for the Nicaraguan Government (GON), thus providing an opportune moment to showcase alternative energy sources and the role that the private sector can play. President Ortega has criticized the production of ethanol with corn but has been quietly supportive of efforts to produce ethanol from sugar cane.

There exists an excellent opportunity to promote biofuels in Nicaragua through a seminar or conference on the subject. Raising awareness would open markets for U.S. technology as well as for potential investment in production. Our effort would complement other efforts by the Department of Agriculture, Department of Commerce, Department of Energy, and Department of State to promote the production and use of biofuels.

We propose two half-day seminars focusing on the potential market for biofuels in Nicaragua. The first seminar would be directed toward the private sector and entitled "Best Choices for Nicaragua: Raw Materials for Biofuel Production." The objective would be to raise awareness of technology options and markets. The second seminar would be directed toward the GON. The objective would be to educate government officials on the possibility for Nicaragua to produce biofuels to meet a portion of its energy needs, and the kind of law and regulation that would support the development of a biofuels industry.

Issues for discussion include:

- In light of Brazilian and other technological advances, moving away from seed (corn kernel) to cellulose (leaves, stalks, and grasses);
- African palm and biomass as cost-effective sources of energy;
- Assuring that land for biofuels does not replace land for

food;  
--Environmental impact;  
--Biofuels for export versus for local consumption;  
--Legal and regulatory environment; and  
--Challenges/needs to move the sector forward.

Potential speakers for these seminars would include: USG officials, U.S. industry representatives, managers of local ethanol plants, cellulose expert from the FIU Applied Research Center George Philippidis, an environmental expert to discuss issues of protecting land and the benefit of biofuels, and Brazilian public and private sector actors in the biofuels sector.

The guest list would include the National Assembly's Energy Committee members, senior and working-level government members, potential biofuel producers, business leaders, and scientists from agriculture and engineering universities.

B) Planning Milestones:

--One month after BFIF money awarded: planning with local partners underway, date set and local logistics established.  
--Two months: speakers and topics defined, guest lists drawn up.  
--Three months after award: event held.

C) Estimated costs: \$20,000. Post would use the funds to pay for speakers from the United States and Latin America region and for seminar expenses. The breakdown would be as follows:

--2 Speakers from U.S. ) \$6,000  
--3 Speakers from region ) \$7,000  
--Logistics expenses (hall rental, refreshments, and invitations)- \$10,000

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E) Post will work closely with Public Affairs, USAID, and USDA on this project. Public Affairs will encourage media coverage for the seminar and help locate and invite speakers from the United States and the region. USAID and USDA will coordinate with local partners and Washington offices on trade and competitiveness issues.

F) Outcomes/Success criteria include the expansion of biofuel production, increased exports of U.S. machinery for biofuel production, encourage the presentation of a biofuels law to the National Assembly, and increase favorable public opinion toward the use of biofuels and positive media on biofuels.

G) The mission will continue to reach out to public and private energy actors to explore biofuels and other energy alternatives.

13. (SBU) Improving Competitiveness (as a follow-on activity of the Department of Commerce's June 2007 America's Competitiveness Forum and in preparation for the August 2008 Competitiveness Forum):

A) Although President Daniel Ortega has been a frequent critic of the private sector since taking office in January 2007, he has so far maintained the free-market economic model implemented by his predecessors. Post wants to build on the opportunity provided by the Department of Commerce's Americas Competitiveness Forum to reinforce the importance of maintaining an open economy and free trade, and to emphasize the role the private and public sectors can play in improving international competitiveness.

Post plans to hold a seminar in May 2008 to focus on the institutional, infrastructure, and human capital aspects of competitiveness and demonstrate how Nicaragua businesses could improve their ability to sell locally and internationally. Instilling the notion of improving country competitiveness should also benefit U.S. companies doing business in Nicaragua. Post will leverage existing USAID and MCC projects and their relationships with local think tanks, academic institutions, and business associations (such as the Council for Private Enterprise (COSEP), INCAE (Central America's leading business School), and the Nicaraguan Presidential Commission on Competitiveness (CPC)) to organize the seminar.

The seminar will:

- Introduce and explain the concept of competitiveness and its benefits;
- Present and explain existing competition law, encouraging prompt implementation;
- Present additional government policies that would spur innovation, workforce development and education, infrastructure development, and supply chain strategies;
- Discuss the proper role of private-public partnerships;
- Highlight environmentally sustainable business practices; and
- Discuss the role of investment.

Potential speakers at the seminar would include U.S. experts on competitiveness, USAID and MCC partners in business development and trade capacity building, leaders from other Latin American competitiveness councils, and business school professors.

The guest list will include members of the National Assembly's Economic Commission, senior and working level members of government, and private industry and business leaders.

B) Planning milestones:

- One month after BFIF money awarded: planning underway, date set, and local logistics established.
- Two months after award: speakers and topics defined, guest lists drawn up.
- Three months after award: event held.

C) Costs: \$20,000. Post would use the funds to pay for speakers from the U.S. and Latin America region and seminar logistics. The breakdown would be as follows:

- 2 Speakers from U.S. ) \$6,000
- 3 Speakers from region ) \$7,000
- Logistics expenses (hall rental, refreshments, and invitations)- \$10,000

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E) Post will work closely with Public Affairs, USAID, and MCC on this project. Public Affairs will encourage media coverage for the seminar and help locate and invite speakers from the United States and the region. USAID and MCC will coordinate with local partners and Washington offices on trade and competitiveness issues.

F) Expected outcomes include increased government attention to the competitiveness issue and recognition of the constructive role government policy can play in supporting private sector led economic growth.

G) This program will complement the Department of Commerce's Forum on Competitiveness and USAID and MCC's work in support

of the private sector. It will also be part of a wider effort to highlight the importance of the private sector and role of government in support of free trade. These are issues which we will continue to pursue with the Ortega administration in a variety of fora and constitute the primary thrust of mission work in the economic and commercial policy arena.

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